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MEMORANDUM

The Shah of Iran's Current Outlook

1. After twenty-five years on the throne of Iran, the Shah is for the first time acting like an independent monarch. He is fashioning his own image as a modern-minded, progressive ruler, no longer in the shadow of the memory of Reza Shah, his iron-willed and despotic father, founder of the dynasty.
2. Reza Shah abdicated in 1941 in the face of British and Russian invasion of his country. The 22-year-old Mohammad inherited a discredited dynasty, the victim of a shameful defeat, and obviously dependent upon foreign support. There was no national unity. Courtiers and self-seeking politicians confused the frustrated young monarch, and bad advice came from all sides. His first two marriages produced no male heir, a failure which he took as another symbol of his weakness.
3. The showdown with Premier Mossadeq between 1951 and 1953 was a turning point. When Mossadeq fell, the Shah triumphantly returned from brief exile and began taking direct, forceful charge of his country. His confidence has grown constantly since then. There is today no challenge to his throne, the political opposition is in disarray, and his third wife has produced a Crown Prince, now five years old.
4. Economically the country is in good shape, and the Shah is confidently proceeding with what he calls his "White Revolution," a broad program of modernization and reform. Concurrently, he has broken his exclusive reliance on the US and is well on his way toward a more independent position between the US and the USSR. He is convinced that

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this course will enhance his image both domestically and internationally, but in following it he risks moving further away from the US than he now intends.

5. The Shah's recent acceptance of a Soviet steel mill--a project on which the West had dragged its feet for many years--is a testimony to his new feeling of confidence. But it is also a major breakthrough for the USSR. The mill will be the core of Iran's industrial development program, and will result in the influx of hundreds of Soviet technicians over the next few years. It nonetheless gives substance to the Shah's repeated warnings that, while he does not intend to change his country's pro-Western orientation, he will not hesitate to go elsewhere if the US cannot meet his needs, and has been warmly welcomed by the Iranian public.

6. The Shah acknowledges the danger from the USSR, but insists on his ability to deal with Moscow without serious risk. In his eyes, the only immediate threat to Iran comes from those Arab states, including Iraq, which he sees as dominated by Nasir. For defense against this threat, he believes Iran needs faster fighter aircraft, better air defense, and a stronger navy in the Persian Gulf, primarily to protect the vital southern oil regions. The Shah is no longer willing to listen to US arguments that Iran cannot afford such equipment. Oil revenues are increasing, and he is pressing the foreign oil companies for even greater production. He has received a credit authorization from parliament for \$200 million to buy arms.

7. For logistical reasons, the Shah prefers to buy US equipment, but will probably turn instead to Western European countries if the US is not forthcoming. He has intimated that as a last resort he might turn to the USSR. Such a move would represent a turning point in his relations with the West and could, if carried out on a large scale, accomplish a major current Soviet objective, the withdrawal of the US military mission in Iran.

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